

AMENDMENTS TO THE SPECIFICATION

[Page 12, first paragraph:]

Fig. 1 is a schematic, pictorial illustration of decision processor 20 for evaluation of financial instruments, particularly derivatives, in accordance with a preferred embodiment of the present invention. Typically, processor 20 comprises an input interface 22, through which the processor receives as input information regarding trends governing the behavior of a certain asset, preferably along with a group of other related assets and/or other variables. It also receives a measure of the variance in the price of the asset, which may possibly be in the form of a covariance matrix between the asset and the other related assets and/or variables. Alternatively or additionally, processor 20 may be programmed to extract trend and variance characteristics from raw data regarding the asset itself and other related factors. Various methods for determining the trend and variance ~~and~~ are known in the art and are beyond the scope of the present invention.

[Page 12, second paragraph:]

Processor 20 comprises a central processing unit (CPU) 24, which uses the trend and variance information to find a probability distribution of the asset price over time, based on methods described hereinbelow. The probability distribution function is used in making decisions with respect to trading in derivatives based on the asset, such as setting the purchase price for an option at a given time or deciding on whether to purchase the option at the going price. The probability distribution can be output via an output interface 26. The probability distribution function is similarly useful in determining when to exercise an instrument such as an American-style option. Preferably, processor 20 comprises a suitable general-purpose computer, running software

designed to carry out the methods of the present invention. The software may be supplied to processor 20 in electronic form, over a network, for example, or it may be furnished on tangible media, such as CD-ROM.